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**George W. Bush**

The White House,  
May 12, 2005.

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NOTE: This Executive order will be published in the *Federal Register* on May 17.

**Remarks to the National Association of Realtors**

*May 13, 2005*

Thank you all. Thanks for the warm welcome. Sorry Laura is not here with me. [Laughter] As you know, we just got back from an overseas trip, and even President Putin had heard about Laura's new job as the "Comedienne in Chief." [Laughter] I'm really proud of her. She's a great First Lady. And she said, "Don't go over there and start looking for a house yet; you've got 3½ more years." [Laughter] But I really want to thank you all for inviting me. I'm looking forward to sharing some thoughts with you.

Before I do so, I want to thank my Secretary of the Department of Housing and Urban Development, Alphonso Jackson, my fellow Texan.

I want to thank Al Mansell, the president of the National Association of Realtors, and the board of directors and all the members.

We have got an important agenda here in Washington. It's an agenda to keep this country prosperous and safe and free. The war on terror continues. I have an obligation as your President to remind people about the realities of the world we live in. There are still people out there who would like to inflict harm on our people. We will be unrelenting in searching the—unrelenting in trying to find those who would harm our people and bring them to justice. And we will be unrelenting in our desire to spread freedom, because America understands that free societies are peaceful societies.

It's such an honor to represent the United States of America around the world, and it

was such an honor to represent our country last week in Europe. We must not forget the lessons of Europe. When we see tyranny, we must resist and free people from tyranny. And we must remember the lessons of Europe, and that is, democracies are able to live peacefully side by side; a part of the world that—where there was war after war, where thousands of American soldiers had died, not only in World War I and World War II, is now whole, free, and peaceful because of the spread of democracy. And it's that spread of democracy in the greater Middle East that will yield a more peaceful world for our children and our grandchildren.

We're also putting policies in place to make this country more free and to enhance opportunity here at home. And our realtors play a crucial role in creating opportunity in America. After all, you help people attain an important part of the American experience and the American Dream, and that is owning a home. I believe the proper role of Government is to encourage ownership, is to promote an ownership society. An ownership—when you own a home, it brings stability to a neighborhood or security to a family. I love it when somebody—a first-time homeowner opens up the door to their house and says, "Welcome to my piece of property. Welcome to my home."

And we're making progress. In this country, homeownership set a new record last year: 69 percent of American families own a home. Think about that. There are 74 million homeowners in America today, and that's the most ever in our Nation's history. I want to thank you for working hard to help people realize that dream.

In 2002, I was working with Alphonso, and we set a goal of increasing the number of minority homeowners by 5½ million by the year 2010. Minority homeownership in America is at an alltime high. We just set a new quarterly record this year of 51.6 percent of minorities own their own home; 2.3 million minorities own a home. We're halfway toward our goal of over 5 million by 2010. Housing starts—we're at the highest level in over 25 years, reaching nearly 2 million homes. That's the best annual performance since 1978.

There's more work to be done. A year and a half ago, I signed the American Dream Downpayment Act. My 2006 budget requests \$200 million for that initiative. And it's an important initiative. You see, that money will help thousands of families with their downpayment and closing costs, which will help more people realize the great joy of owning their own home.

To boost housing sales even more, Congress needs to pass my single-family home-ownership tax credit. We estimate this credit would increase the supply of affordable single-family homes by as many as 50,000 each year. The idea is to increase the supply of affordable homes by 7 million over the next 10 years.

In other words, there is a proper role for Government, to provide incentives for entrepreneurs and small businesses to expand. One thing we've got to make certain is to understand that the mortgage interest deduction enables more Americans to be able to own their own home. It is an important part of our Tax Code.

We not only want more people owning their own home; we want more people owning their own business. The entrepreneurial spirit in America is strong, and we need Government to put policies in place to keep it that way.

Here are some ideas to help small businesses flourish and for the entrepreneurial spirit to be strong. We need to make it less costly for small businesses to provide health care for their employees. We continue to expand health savings accounts. We must allow small businesses to pool risk across jurisdictional boundaries so they can buy insurance at the same discounts big companies are able to do. And to make sure health care is available and affordable to people from all walks of life, Congress needs to pass medical liability reform.

My administration will continue to press for legal reform here in Washington. Junk lawsuits make it awfully hard for small businesses to expand. I have submitted a no-nonsense budget to the United States Congress, and part of that budget is to keep taxes low on our entrepreneurs.

To make sure this economy continues to grow and the entrepreneurial spirit is strong,

our country needs to have access to affordable, reliable, and a secure supply of energy. Millions of small businesses and families are hurting because of higher gasoline prices. When gasoline prices go up, it's like taxing people—taxing our families. It's taxing small businesses. I understand, if you're trying to meet a payroll or trying to meet a family budget, small changes at the pump can have a big impact on your life. And that's why we have got to address the root causes that are driving up the price of gasoline.

I told a soldier in Fort Hood when I was visiting with him the other day, I said, "How's it going in the military?" He said, "Fine, but how come you don't do something about gas prices?" [Laughter] And I said, "If I could, I would. If I could just say, 'Lower the price,' I'd say that." That's not the way it works. We need to address the root causes that are causing gasoline prices to go up. The root cause is that we're consuming energy faster than we're producing it, which means we're becoming more dependent on oil from overseas.

To reduce that dependence, we've got to take four key steps. First, we must be better conservers of energy. And we can use technology in a wise way to encourage conservation. Secondly, we must find innovative and environmentally sensitive ways to make the most of our existing energy resources, including oil and natural gas and coal as well as safe, clean nuclear power. Third, we must develop promising new sources of energy such as hydrogen and ethanol and biodiesel. And fourth, we must help growing energy consumers overseas like China and India. We must help them apply new technologies so they can use energy more efficiently and reduce the global demand for oil.

I applaud the House of Representatives for passing a good energy bill that meets the four criterion I outlined. And it is now time for the United States Senate to act. Congress needs to get a bill to my desk before the August recess.

I want to spend some time today talking about another challenge which faces this country, and that is the challenge of Social Security. I have traveled the country a lot to talk to the people about Social Security. And one thing is for certain: The American

people now understand that Social Security is headed for serious financial trouble. And they expect the folks here in Washington, DC, to do something about it. They expect us to put aside partisan differences and focus on the good of the country.

Franklin Roosevelt did a smart thing when he created Social Security. The system has meant a lot to a lot of people. Social Security has brought peace of mind to millions of Americans in their retirement. It's made a huge difference in people's lives. It is very important for our seniors to understand that when I talk about strengthening the Social Security system, nothing will change for you. If you're on Social Security today, you're going to get your check. The system is solvent enough to take care of anybody who was born prior to 1950.

Now, I understand how this works in politics. I mean, you start talking about Social Security, and the first thing that happens, there's all kinds of fliers and propaganda that go out that try to frighten today's seniors. I'm going to continue to remind these people about the truth, and the truth is twofold. If you're getting a check, if you've retired, nothing changes for you. But if you're a younger American, our Government has made promises to you that it cannot keep.

Social Security worked fine, but the problem is the math has changed. And the reason the math has changed is because people like me are getting ready to retire. *[Laughter]* And there's a lot of us. We are called the baby boomers. Do you realize today there are about 40 million retirees receiving benefits, 40 million folks counting on the Social Security check. By the time the baby boomers fully retire, there will be 72 million people receiving a check. So you're beginning to get to see how the math is changing. More people will be getting checks.

There's a second difference: We're living longer. People my age are going to live longer than the previous generation. The previous generation lived longer than the previous generation. That's what happens with good technology and medicine and wise choices. I strongly urge you to exercise on a regular basis. *[Laughter]*

And thirdly, Congress promised greater benefits to my generation than the previous

generation. In other words, people were running for Congress, and they'd say, "Vote for me. I'll make sure the baby boomers get better benefits." So you've got people living longer—a lot of people living longer—getting better benefits, and there's fewer people paying into the system. That's the other half of the equation.

In 1950, there were 16 workers paying for every beneficiary. In other words, people were able to share the load, the responsibility of taking care of a retiree. Today, there are 3.3 workers paying for every beneficiary; soon there will be two workers paying for every beneficiary. And so here's the problem: You've got fewer workers paying for more retirees who are living longer and have been promised greater benefits.

And so I tell people that this math has created a significant problem for the solvency of Social Security. In other words, Social Security really is on the path to bankruptcy—because of the math, because of what's taking place in the demographics in America. When baby boomers start to retire 3 years from now, the Social Security will start heading into the red. See, we take your money, and we spend it. *[Laughter]* That means there will be more people—the benefits—the Social Security benefits will be greater than your payroll taxes, starting in 3 years. In 2017, the system will pay out more in benefits than it collects in payroll taxes. In other words, there will be more going out than coming in. I think I probably said that for the first 3 years; it's not—it starts going in the red. It goes into the red in 2017, and every year thereafter the situation gets worse.

Let me just give you an example: In 2027, there will be \$200 billion in that year alone going out to pay people who are living longer, like me, greater benefits, than are coming in through payroll taxes. So it's 200 billion. And it gets worse and worse and worse, until the system is broke in 2041. That's a problem.

Now, some in Washington say, "Well, it's not 2017; isn't that pretty far down the road?" It's not very far down the road. If you're—if you got a 6-year-old kid, that means your kid is going to be driving when the system starts going into the red. If you're a young worker paying into the system, paying your

payroll taxes, and all of a sudden you see the facts, and the system starts going into the red, that's not a problem down the road.

The Social Security trust—trustees have made it clear that every year we wait to fix the problem costs the country at least \$600 billion to save the system. In other words, there's a—it's time to get something done. If we wait, if we take the politically easy path, it's conceivable that young workers will have to pay an 18-percent payroll tax in order to pay for my generation, or the Government is going to have to slash benefits by about 30 percent or other Government programs. We're in a bind. And now is the time to come together and fix the problem.

The job of the President—my job is to confront problems, not to pass them on to future Presidents and future generations. So we have a duty, I think; we have a duty to solve this problem once and for all.

I say “once and for all”; in 1983, you might remember when President Reagan and Tip O'Neill got together, and they put together what they said was a 75-year fix. First of all, I love the spirit of people coming together to fix the problem. They set the right example. The problem was the 75-year fix didn't last 75 years. Here we are, 22 years later, talking about the problem again.

And so we need to fix this permanently. We need to do our duty. And as we do so, we need to provide extra help to those most in need and make it—make the system a better deal for younger workers.

Congress needs to be guided by three goals as they begin work on this legislation. First, future generations should receive benefits equal to or greater than the benefits today's seniors get. That's a reasonable goal.

Second, a reformed system should protect those who depend on Social Security the most. More than one in five Americans rely on Social Security for nearly all their retirement income. Think about that. So I proposed a Social Security system in the future where benefits for workers with the lowest incomes will grow faster than the benefits for people who are better off. Economists call this idea progressive indexing. It means that in the future, all workers will get Social Security checks bigger than the ones they re-

ceive today, but that the benefits will rise at a rate we can better afford.

This idea was suggested by a fellow named Robert Pozen, an investment expert and a Democrat who served on the Commission to Strengthen Social Security. Here's how it works: Today, all workers' benefits grow at the rate that reflects growth in wages. Under his plan, benefits for the poorest 30 percent of workers would continue to be tied to wages. For the highest earning one percent of Americans, benefits would be linked to inflation, which grows at a slower rate than wages. For all those in between, benefits would grow at a rate higher than inflation. By changing the system this way, this country will make this commitment, and I think it's an important commitment to make: If you work hard and pay into Social Security your entire life, you will not retire into poverty.

I met two of our citizens today. January Igot—she's 26 years old. She works in Washington, DC. She earned \$33,000 last year. When she retires, her annual benefit under the reform plan I just outlined would be \$21,700 in today's dollars. That is \$3,800 more in real terms than a similar retiree receives today. I'm just trying to give you a sense of what this would mean to the average citizen.

Rick Brandt is with us, a 38-year-old guy. He's a realtor from Newport News, Virginia. He's got four daughters, and he's married. *[Laughter]* He's earned about \$75,000 over the past 2 years. Under the reformed system, his annual benefit when he reaches retirement age would be \$24,300 in today's dollars, 3,300 more in real terms than beneficiaries receive today.

A reformed system will introduce greater fairness into Social Security. And as importantly, for those who are paying into the system in the future, it puts Social Security on the road to solvency. As a matter of fact, by reducing the growth in benefits for the wealthiest Americans, we would permanently solve most of the funding challenges facing Social Security today. In other words, the reform I just outlined would provide most of the reform necessary to say that we've permanently solved Social Security.

Now, there are other ways to solve the rest of it, and I look forward to working with Congress to do so. But one thing we will not do is raise the payroll tax rate.

I have an obligation as we go through the discussion of Social Security not to talk—only talk about the problem but to talk about commonsense ways to solve the problem. You just heard a commonsense way to put this system on a more solvent footing, forever. We have a duty to younger workers to do that. If you're getting your check, you don't have a thing to worry about. Nothing will change for people who are receiving their Social Security check today. As a matter of fact, those of us born in 1950, the system will be exactly the way it is. But younger workers need to listen to this debate, because if Congress will not do anything, the situation gets worse every year, and you'll be paying into a system that will be bankrupt in 2041. Those are the facts.

Now, as we fix the system permanently, I think we should give our workers—younger workers the opportunity to have a better deal in Social Security as well. See, Social Security is a pay-as-you-go system. I alluded to it earlier: You pay; we go ahead and spend. [Laughter] You're paying your payroll taxes. Some people in this country believe as you pay your payroll taxes, the Government holds it, and then when you retire, we give it back to you. [Laughter] No, the Government takes your payroll taxes; we pay out to current retirees; and with any money left over, we fund the rest of Government. And that which—and then what ends up happening is, there is a filing cabinet in West Virginia that's got an IOU in it. [Laughter] I know firsthand. I saw the filing cabinet with the IOUs. [Laughter] That's the solvency of the system. The solvency of the system is paper.

See, I think we ought to replace the empty promises of Government with real assets. In other words, give younger workers the opportunity, if they so choose, to put a portion of their payroll taxes in a voluntary personal savings account. They should be allowed—notice I said, “voluntary.” In other words, we're giving younger workers the option. Government is not going to say, “You must do this.” Government is going to say, “You can do this if you so choose.” In other words,

we're trusting you to make the right decision. After all, it's your money.

You should be allowed, if you so choose, to invest in a conservative mix of bonds and stocks, which would give you the benefits of the power of compound interest. In other words, if you hold your money and keep reinvesting it over a period of time, it grows and grows and grows. That's what compound interest means. The accounts would give you an opportunity to earn a better rate of return on your money than the current Social Security system does.

Today, for example, Social Security provides an annual rate of less than 2 percent for younger workers in the workforce. That's not a very good deal. You're paying into a system which will be broke in 2041, and not only that, you don't earn very much on your money. A mixed portfolio of conservative investments could be expected to pay you 4.6 percent, minimum. In other words, you put money aside in a conservative mix of bonds and stocks, you should be able to get 4.6 quite easily. Many of you who are managing your own money know that over time, you get a lot better than that.

And here's what a personal account earning 4.6 percent would mean for a 20-year-old mom earning \$8 an hour over her career—in other words, the kind of person that we want to make sure doesn't retire into poverty. If she so chooses to invest \$600 of her payroll taxes in a voluntary account each year, by the time she retired, she could expect to have a nest egg worth about \$100,000 in today's dollars. In other words, that \$600 contribution would grow over time, in a conservative mix of bonds and stocks.

Take this as an example, just to give you a sense of how interest will cause your assets to grow: Say one of your children becomes a nurse, and she marries a policeman. And both enter the workforce in 2011, and they work their entire careers. And they contribute a third of their payroll taxes, and they put it in a conservative mix that yields a 4.6 percent investment. By the time they reach 65, they would have accounts worth \$669,000 that they could call their own. That's 669,000 in today's dollars, not the dollars when they're 65 years old.

In other words, money grows. It doesn't grow very much at 2 percent; it grows a heck of a lot better at 4.6 percent or better. And I think Government ought to give people the chance, the option, of taking some of their own money and watching it grow at a better rate than the Government can get for them in the Social Security system.

The money off of your own asset base, the money off your voluntary personal savings account, would be used to supplement the Social Security check you got. In other words, Government can afford to pay something—I just laid out a plan that will cause most of the problem to be permanently solved, and there's some other things we can do to solve it forever. And so you'll get a check. And so the personal account, the personal savings account will give you money to supplement your Social Security check, if that's what you choose to do. That's just an important concept. In other words, if there is—it's a combination of that which the Government can afford to pay you as well as what you earn, what you—as you watch your assets grow.

The other thing that's important about this account—you see, when I said we're going to replace IOUs in a file cabinet with real assets, that means this is your money, see. This is your account. Government can't take it away. Government can't spend it on something else.

Voluntary accounts would help with some of the unfairness in today's system. And the system is unfair for some folks. If your spouse dies before you're 62 years old, the Social Security system gives you a burial benefit. In other words, you—two families working—two people working in the family all their life, spouse dies prior to 62, what you get as your benefit is they bury your spouse for you. That's it. When you reach retirement age, the system says you can take your check or your spouse's check, which is ever higher, but not both.

Now, think about that system. Been working all your life, you pay in. You die early, and the money you put in just goes away. That's not a fair system. We got people working all their lives at hard work, contributing by payroll taxes into a Social Security system. The good Lord takes one of the members of the family away, and all the money you

put in, into the system, does not accrue to the benefit of your loved one. You get the benefit—you get the higher of the spouse's benefits or your benefits, which is ever higher, but not both. That's the way the system works.

If you're able to put aside some of your own money in an account you call your own and if you die early, you can leave that asset base to your spouse or your kids to help them along.

I fully understand some citizens are not comfortable with the idea of managing their money in a voluntary personal savings account. That's natural. That concept makes some people nervous. That's why the accounts are voluntary. If you don't like the idea, you can stay in the current system, the system that will be reformed. You don't have to worry about it.

The other thing is there will be plenty of options. For example, you can invest all in T-bills, Treasury bonds. But there will be other options that will be easy to understand. As a matter of fact, an amazing thing has happened since I was 20 years old, and that is the advent of 401(k)s came along. And for those of you who were born about my time, if you look back, I don't remember sitting around talking about 401(k)s when I was 20, or IRAs—all different kinds of options to encourage people to manage their own money. But that's changed in our society today. There are a lot of people looking after their own assets now. People are used to investing. Thousands of young Americans are becoming accustomed to watching their own assets grow through 401(k)s and IRAs.

As a matter of fact, this idea has caught on so much that Government is now adopting—giving people the ability to take some of their own money and putting it aside in a personal savings account as a part of the retirement system. I mean, the Federal Government developed what's called the Thrift Savings Plan. Here we are, debating Social Security; some people are saying, "We can't have—give people the right to manage some of their own money," yet guess what's happening in Washington. They've decided that they're going to set aside some of their own money and get a better rate of return on their money because it grows over time.

It seemed like a pretty good deal to those who write the laws, and so, therefore, in the Federal Thrift Savings Plan, if you're a Member of the United States Congress and you so choose, you can set aside some of your own money and put it in a personal savings account. My message to the United States Congress is, if that idea is good enough for you, it is good enough for workers all across America.

We have an obligation to confront problems head on here in Washington. Our children's retirement security is too important for politics as usual. If you're getting a check, you having nothing to worry about. If you're retired, the system is just fine for you. But if you're a grandma or granddad, you better be talking to the Members of the United States Congress about what they intend to do to fix the system for your grandchildren.

We have a shared responsibility here in Washington to work together. We've got a great opportunity to permanently reform Social Security so that seniors will be kept out of poverty when they retire. We've got a chance to spread ownership. I talked about homeownership earlier; I talked about owning your own business. Another way to encourage ownership in America is to let more people manage their own money when it comes time for their retirement.

I don't think investments ought to be confined just to the investment class. I understand the more that people own something, the more they watch their assets grow, the better off America is. I want people from all walks of life working hard and developing assets and savings that they can pass on to their children, if that's what they choose to do. The more ownership we have in America, the better off America is.

It is time we take on this debate with courage and honesty, and I believe we'll succeed. And I ask you to contact the Members of the House of Representatives and Senate—Members of the Senate from your States and encourage them to work in good faith to solve this problem. And when we do, Republicans and Democrats will be able to stand together and take credit for doing what is right for our children and our grandchildren.

Thanks for letting me come by today, and may God bless you all.

NOTE: The President spoke at 10:14 a.m. at the Marriott Wardman Park Hotel. In his remarks, he referred to President Vladimir Putin of Russia.

## Remarks Honoring Spring and Fall NCAA Championship Teams

May 13, 2005

**The President.** Please be seated. Thank you. Welcome to the White House, the people's house. We're glad you're here. Today we honor four outstanding NCAA championship teams. The—it's a great—I love this day in the White House. It's a chance to honor people who have worked hard, made right decisions with their lives, and served something greater than themselves, their team. So, really glad you're here. I hope you're excited—as excited about being here as I am as excited about receiving you.

I first want to say thanks to Congresswoman Anna Eshoo for coming. I think—I suspect you're here to support the mighty Stanford women's volleyball team.

Ed Royce from California is here. He's a Cal State grad—Cal State, Fullerton, grad. And you like baseball?

**Audience member.** [Inaudible]

**The President.** Yes. All right, good. I'm glad Marie is with you. Welcome, Marie.

I want to thank Mike Sodrel for coming. Mike, it's good to see you, sir, and your wife, Keta. Mike is from Indiana. He's here because of the men's soccer team, right, Michael?

**Audience member.** Yes, sir.

**The President.** Good. Glad you all are here.

Milton Gordon is the president of Cal State, Fullerton—and his wife, Dr. Margaret Faulwell Gordon. I'm glad you all are here.

Mike Freitag, the head coach, is with us from mighty Indiana University, his wife, Renee, and his daughter Hanna. Welcome.

I appreciate Randy Waldrum, who's the head coach of the University of Notre Dame women's soccer team. Randy, it's good to see you, sir. I know your son is here as well.

I appreciate George Horton, who is the baseball coach at Cal State, Fullerton.

I want to thank John Dunning, who's the head coach of the women's volleyball team